



HISTORIC PROGRESS BEING MADE UNDER ALASKA PIPELINE PROJECT

By Kurt Gibson, AK GPPO Director

Framing the challenge to commercializing N.S. gas

Demand Uncertainty

The state cannot resolve “market uncertainty.” Shippers will ultimately determine the market.

Shipper Uncertainty

“Shipper uncertainty” – How can the State increase the likelihood for project success by landing on a fiscal deal today

Has AGIA been effective in advancing the Major Gas Sale project effort?

- AGIA is designed to incentivize the completion of critical work activities (engineering, permitting, and commercial work) so that, when appropriate, shippers can be in a position to sanction a project
- AGIA recognizes that commercial alignment may take a considerable period of time to achieve and therefore requires “parallel track” work on other equally critical work while the commercial process unfolds.
- Is the Major Gas Sale project viable at current prices? Project is not expected to be online for a decade – current prices are a red herring
- Dynamic market makes it difficult to know on a 10-yr lead time project – project cost, potential for regulatory delay, changing regulatory environment for L48 shale gas development, unclear economic price threshold for shale gas...

Challenges & synergies for NS gasline

Challenges

- Dynamic Market Conditions (e.g., Lower 48 supply and demand, Asia demand, Cook Inlet potential)
- Uncertain Shipper Commitment
- Fiscal Terms
- Scattered Allegiances / Constituencies

Synergies

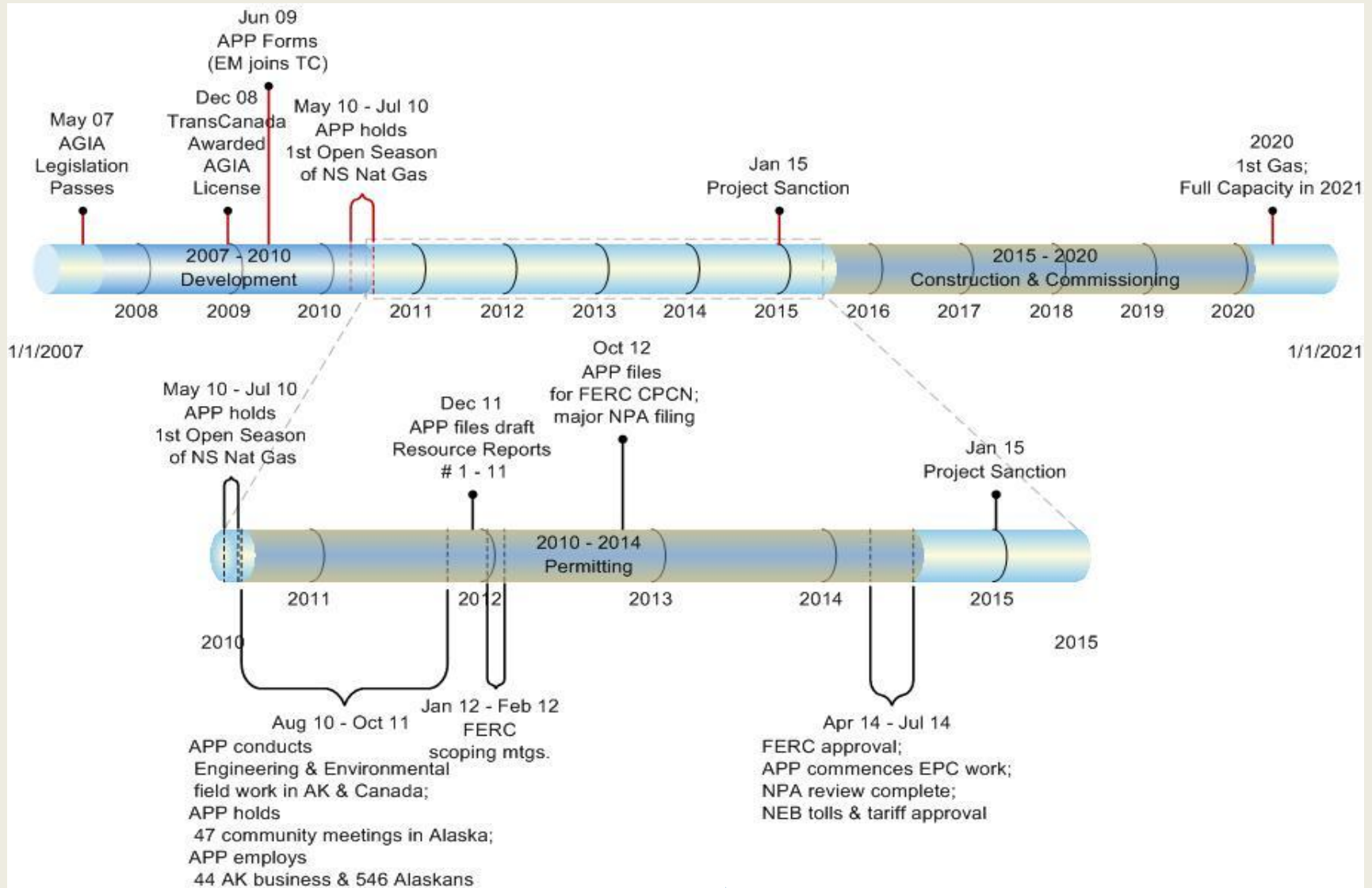
- Common route north of Livengood
- Securing reliable energy supply for in-state use
- Workforce development
- Markets and usage beyond existing in-state needs
- Export markets
- Alignment on data acquisition & permitting
- Synchronized Open Seasons

AGIA: Where are we headed?

- We are *cautiously optimistic* that commercial progress will be made in the months to come
- We are **confident** that good progress is being made on the regulatory success leg



Project Timeline



APP is a work in progress

- 2010 & 2011: APP's summer and winter field programs in Alaska and Canada gather data in support of engineering, technology development and permit applications
- August 2010: APP commences negotiations with shippers on conditions of PAs
- Nov. 2010 to March 2011: Workshops and meetings held with state and federal agencies to provide project updates, discuss technical programs/practices, and to clarify information delivery and permit requirements
- February 2011: Project reached one million hours of work without a lost time incident
- April 2011: Preliminary drafts of Resource reports #1 (General Project Description) and #10 (Alternatives) submitted to FERC
- September 2011: APP reports that 546 Alaskans and 44 Alaska-based service providers have worked on this project

Community Meetings

APP conducted 47 community meetings in 2011



APP and representatives from the Gas Pipeline Project Office and State Department of Labor meet with residents of Dot Lake

Nenana
Kaktovik
Nuiqsut
Barrow
Anaktuvik Pass
Stevens Village
Allakaket/Alatna
Evansville/Bettles
Wiseman/Coldfoot
Tok
Chistochina
Tazlin/Glenallen
Valdez
Mentasta Lake
Fairbanks
Delta Junction
Tetlin
Minto
Seward
Haines
Skagway

